

**REPORT OF THE AUDIT OF THE
BOYLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Harold McKinney, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

The enclosed report prepared by Cotton and Allen, P.S.C., Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Cotton and Allen, P.S.C. to perform the audit of these financial statements. We worked closely with the firm during our report review process; Cotton and Allen, P.S.C. evaluated the Boyle County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOYLE COUNTY FISCAL COURT

June 30, 2009

Cotton and Allen, P.S.C. has completed the audit of the Boyle County Fiscal Court for the fiscal year ended June 30, 2009. They have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky.

In accordance with OMB Circular A-133, they have issued an unqualified opinion on the compliance requirements that are applicable to Boyle County's major federal program: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036).

Financial Condition:

The Fiscal Court had total net assets of \$10,939,324 as of June 30, 2009. The Fiscal Court had unrestricted net assets of \$3,578,562 in its governmental activities as of June 30, 2009, with total net assets of \$10,918,466. In its business-type activities, total net cash and cash equivalents were \$13,738 with total net assets of \$20,858.

Debt Obligations:

The Fiscal Court had total debt principal as of June 30, 2009 of \$3,920,813 with \$414,821 due within the next year.

Report Comments:

- | | |
|---------|---|
| 2009-01 | The County Should Review Its IT Systems And Ensure That Appropriate Safeguards Are In Place To Ensure The Continued Security Of The Fiscal Court's Data |
| 2009-02 | The Fiscal Court Should Strengthen Controls Over Employee Timesheets |
| 2009-03 | The County Is Not Paying All Invoices Within 30 Days Of Receipts, As Required By Kentucky Statute |

Deposits:

The Fiscal Court deposits were insured and collateralized by bank securities.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Boyle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Boyle County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of June 30, 2009, and the respective changes in financial position – modified cash basis and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 21 and 60 through 64 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boyle County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements on pages 67 through 70, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2010, on our consideration of Boyle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs, included herein, which discusses the following report comments:

- 2009-01 The County Should Review Its IT Systems And Ensure That Appropriate Safeguards Are In Place To Ensure The Continued Security Of The Fiscal Court's Data
- 2009-03 The Fiscal Court Should Strengthen Controls Over Employee Timesheets
- 2009-03 The County Is Not Paying All Invoices Within 30 Days Of Receipts, As Required By Kentucky Statute

Respectively submitted,


Cotton and Allen, P.S.C.
Certified Public Accounts and Advisors

June 22, 2010

BOYLE COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Harold W. McKinney	County Judge/Executive
Donnie Coffman	Magistrate
Phillip Sammons	Magistrate
Brent Woodrum	Magistrate
John Hudson	Magistrate
John Davis	Magistrate
Mickey Harmon	Magistrate

Other Elected Officials:

Richard Campbell	County Attorney
Barry Harmon	Jailer
Trille Bottom	County Clerk
Joni Terry	Circuit Court Clerk
LeeRoy Hardin	County Sheriff
Eddie Tamme	Property Valuation Administrator
Dr. James Ramey	Coroner

Appointed Personnel:

Mary C. Lynn	County Treasurer
Marcia Pierce	Occupational Tax Administrator
Gail Bowling	Finance Officer
Connie Smith	Payroll Officer
Duane Campbell	Road Supervisor
Lennie Shepperson	911 Administrator/EMA Coordinator
Melissa Gross	Jail Office Manager
Brad Ellis	Emergency Medical Service Director
Donna Fechter	Solid Waste Coordinator

**BOYLE COUNTY FISCAL COURT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009**

The management team for the Boyle County Fiscal Court (Boyle County) presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2009. We have prepared this overview and analysis of the County's financial activities to add additional information to the financial schedules and the note disclosures.

Boyle County uses the cash basis of accounting (which recognizes transactions immediately when cash is received or disbursed) as prescribed by the Kentucky State Local Finance Officer (KRS 68.210). Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

FINANCIAL HIGHLIGHTS

- As of June 30, 2009, Boyle County had net assets of \$10,939,324. That includes unrestricted net assets of \$3,578,562 in their governmental funds as of June 30, 2009, with total net assets of \$10,918,466. In the enterprise fund, cash and cash equivalents were \$13,738 with total assets of \$20,858. Total debt principal as of June 30, 2009 was \$3,920,813 with \$414,821 due within one year.
- Net assets increased by \$593,187. The increase was the investments in capital and current assets, net the decrease of related debt.
- At the close of the fiscal year, Boyle County's balance sheet showed a fund balance (a measure of current financial resources) of \$3,578,562 in the governmental funds which was a decrease of \$263,773 from the prior year. Of this amount, \$88,886 was reserved for encumbrances and \$679,902 was reserved for special revenue funds.
- The General Fund unreserved fund balance, as of June 30, 2009, was \$2,809,774 or about 65% of total general fund expenditures.
- Boyle County's total indebtedness at the close of fiscal year ended June 30, 2009 was \$3,920,813 which is long term debt (due after one year). There were \$135,000 in debt additions and debt reductions were \$443,387 for a net reduction of \$308,387.

OVERVIEW OF FINANCIAL STATEMENTS

This management discussion and analysis is intended to introduce the Boyle County's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide our readers with an overview of Boyle County's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by the private sector.

The *Statement of Net Assets* presents information on all the County's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as *net assets*. Increases or decreases in net assets may indicate whether the financial position of the County is improving or deteriorating.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as transactions occur, regardless of when the related cash flows are reported (modified cash basis of accounting). Therefore, some revenues and expenses included in this statement may reflect cash flows that will occur in future periods.

Under Boyle County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statement.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, protections to persons and property, roads, recreation and community programs. Business-type activities include the jail canteen.

The government-wide financial statements include not only Boyle County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Boyle County has one such entity, the Municipal Properties Corporation. It is known as a blended component unit.

Fund financial statements – Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. Boyle County, like other state and local governments, uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the County's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for the Boyle County's basic services, the same services that are included in the governmental activities on the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current financial resources, as well as balances of spendable resources available at the end of the fiscal year. This information is important for assessing the County's current financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current picture presented in the fund statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Boyle County maintains eleven individual governmental funds. Major governmental funds include the General, Road, Joint Jail, General Obligation, Emergency Medical Service, and E911 Funds. The Local Government Economic Assistance, State Grant, TEA-21, Boyle Jail, and Kentucky Local Correctional Facilities Construction Authority funds are considered non-major funds and are represented in a combined form.

Boyle County adopts an annual budget for all funds in accordance with Kentucky Revised Statutes Chapter 68. The budgetary comparison has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds include two enterprise funds. The enterprise funds include operations for the jail canteen and an internal service fund for health insurance. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. Notes provide additional information that is essential to a full understanding of the information included in the financial schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1
Net Assets Comparison - Governmental Activities**

	2008	2009	Variance	%
Assets				
Current and Other Assets	\$ 4,070,052	\$ 4,172,879	\$ 102,827	0.03
Capital Assets	10,490,553	10,666,400	175,847	0.02
Total Assets	14,560,605	14,839,279	278,674	0.02
Liabilities				
Current Liabilities	421,500	414,821	(6,679)	(0.02)
Noncurrent Liabilities	3,807,700	3,505,992	(301,708)	(0.08)
Total Liabilities	4,229,200	3,920,813	(308,387)	(0.07)
Net Assets				
Invested in Capital Assets, Net of Related Debt	6,261,353	6,745,587	484,234	0.08
Restricted	175,935	594,317	418,382	2.38
Unrestricted	3,894,117	3,578,562	(315,555)	(0.08)
Total Net Assets	\$ 10,331,405	\$ 10,918,466	\$ 587,061	0.06

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Table 2
Net Assets Comparison - Business Type Activities**

	2008	2009	Variance	%
Assets				
Current and Other Assets	\$ 5,246	\$ 13,738	\$ 8,492	1.62
Capital Assets	9,486	7,120	(2,366)	(0.25)
Total Assets	14,732	20,858	6,126	0.42
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,486	7,120	(2,366)	(0.25)
Unrestricted	5,246	13,738	8,492	1.62
Total Net Assets	\$ 14,732	\$ 20,858	\$ 6,126	0.42

Changes in Net Assets.

Governmental Activities. Boyle County's net assets increased by \$587,061 in fiscal year 2009.

Key Elements of this are:

- Current assets and cash increased \$102,827.
- Investment in capital assets increased \$175,847 due primarily to equipment purchases.
- Current and long-term liabilities decreased \$308,387.
- Revenues were \$11,086,840 as reflected in the Statement of Activities.
- Expenditures totaled \$10,499,779 as reflected in the Statement of Activities.

Business-type Activities. Boyle County's net assets increased by \$6,126 in fiscal year 2009.

Key Elements of this are:

- Current assets and cash increased by \$8,492.
- Investment in capital assets decreased \$2,366 due to equipment depreciation.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

Changes in Net Assets.

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

**Table 3
Statement of Activities Comparison -
Governmental Activities**

	2008	2009	Variance	%
Expenses:				
General Government	\$ 4,167,401	\$ 3,999,795	\$ (167,606)	(0.04)
Protection to Persons and Property	3,543,485	3,675,823	132,338	0.04
General Health and Sanitation	1,146,308	1,243,914	97,606	0.09
Social Services	111,102	86,500	(24,602)	(0.22)
Recreation and Culture	944,178	336,630	(607,548)	(0.64)
Roads	196,146	932,372	736,226	3.75
Airports	15,127	15,123	(4)	(0.00)
Transportation Facilities and Services	15,162	19,351	4,189	0.28
Interest on Long-term Debt	473,323	117,778	(355,545)	(0.75)
Capital Projects	471,782	72,493	(399,289)	(0.85)
Total Expenses	<u>11,084,014</u>	<u>10,499,779</u>	<u>(584,235)</u>	(0.05)
Revenues:				
Charges for Services	2,969,794	2,393,091	(576,703)	(0.19)
Operating Grants and Contributions	2,654,990	2,421,307	(233,683)	(0.09)
Capital Grants and Contributions	896,654		(896,654)	(1.00)
General Revenues	<u>6,392,796</u>	<u>6,272,442</u>	<u>(120,354)</u>	(0.02)
Total Revenues	<u>12,914,234</u>	<u>11,086,840</u>	<u>(1,827,394)</u>	(0.14)
Change in Net Assets	1,830,220	587,061	(1,243,159)	(0.68)
Beginning Net Assets	<u>8,501,185</u>	<u>10,331,405</u>	<u>1,830,220</u>	0.22
Ending Net Assets	<u>\$ 10,331,405</u>	<u>\$ 10,918,466</u>	<u>\$ 587,061</u>	0.06

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Assets. (Continued)

**Table 4
Statement of Activities Comparison -
Business Type Activities**

	<u>2008</u>	<u>2009</u>	<u>Variance</u>	<u>%</u>
Expenses:				
Cost of Sales	\$ 164,342	\$ 112,408	\$ (51,934)	(0.32)
Personnel Costs	21,819	14,979	(6,840)	(0.31)
Educational and Recreational	8,206	7,313	(893)	
Depreciation	2,366	2,366		-
Miscellaneous	<u>3,044</u>	<u>9,171</u>	<u>6,127</u>	2.01
Total Expenses	<u>199,777</u>	<u>146,237</u>	<u>(53,540)</u>	(0.27)
Revenues:				
Charges for Services	<u>199,547</u>	<u>152,363</u>	<u>(47,184)</u>	(0.24)
Change in Net Assets	(230)	6,126	6,356	0.97
Beginning Net Assets	<u>14,962</u>	<u>14,732</u>	<u>(230)</u>	(0.02)
Ending Net Assets	<u>\$ 14,732</u>	<u>\$ 20,858</u>	<u>\$ 6,126</u>	0.42

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Boyle County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Boyle County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On June 30, 2009, the combined ending fund balance of Boyle County's governmental funds was \$3,578,562. Approximately 79% (\$2,809,774) of this was unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance, \$768,788 is reserved to pay encumbrances and special revenue expenses.

Boyle County has 6 major governmental funds. These are 1.) General Fund; 2.) Road Fund; 3.) Joint Jail Fund; 4.) General Obligation Fund, 5.) Emergency Medical Services Fund; and, 6.) Emergency 911 Fund. There are 5 non-major funds. These are 1.) Local Government Economic Assistance Fund; 2.) State Grants Fund; 3.) Kentucky Local Correctional Facilities Construction Authority Fund, 4.) Boyle Jail Fund; and 5.) TEA-21 Fund. These funds are combined for this report because their revenues and expenses are smaller than other funds of the County.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

Consolidation of county and city governmental activities is still a priority of this County Judge/Executive and Fiscal Court. Prior fiscal years consolidated services includes the Recycling Center, Solid Waste Coordination, Emergency Management, Property Tax Collection, Occupational Tax Collection, Building Inspection, and Fire and Rescue. Future consolidations may include geographic information systems, and computer information technology services.

Boyle County is working to implement a comprehensive website to help users easily obtain continually current governmental information. Planning is underway to construct infrastructure that will provide broadband service to areas of Boyle County where there is little or no prospect of future service.

In fiscal year 2008, fuel prices escalated to just over \$4.10 a gallon taking all departmental fuel accounts over budget by an average of 24% representing a total overage of \$51,073. In fiscal year 2009, fuel prices returned to an average price of \$2.50 a gallon.

The Fiscal Court conducted a surplus sale in October 2008 and sold \$7,995 in vehicles, furniture, and office equipment. This sale was advertised in the local newspaper and open to the public.

In January 2009, the Commonwealth of Kentucky was hit with a devastating ice storm. The storm crippled transportation and closed businesses and schools throughout Boyle County. In addition, it knocked out utilities including water, electricity, and in some cases telephones. County government was hampered by the lack of electrical services in the courthouse at the very time when citizens needed it the most. Immediately after the storm hit, the County Judge/Executive declared a state of emergency to allow for help from the National Guard and to secure certain funding mechanisms.

Meetings began every four hours which included the local agencies of fire, emergency medical services, public works, the airport, Red Cross, the school systems, etc. and the local governments of Danville, Junction City, Perryville, and Boyle County. The primary goal was to meet the human services need first, then to fix the infrastructure of roads, water production/transmission, downed power lines, and flooding streams. All the while, the County was faced with the problems of collecting and disposing of storm debris.

The multiple agencies and Commonwealth of Kentucky worked together without regard to the artificially drawn lines of political subdivisions. Along with the cooperative effort came numerous inter-local agreements to properly account for the money spent during and after the storm. A major player in the effort was the Federal Emergency Management Agency (FEMA) who required meticulous recordkeeping of all activities. The vast majority of the cleanup work was completed by the end of May 2009 and storm related expense reimbursement coming from FEMA the following fiscal year.

The Occupational Tax and Net Profits tax was .75%.

Real Property Tax rates were 5.4% per \$100.

Personal Property Tax rates were 6.67% per \$100.

The Motor Vehicle and Watercraft tax rates were 6.9% per \$100.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

1. The General Fund is the chief operating fund of Boyle County. At the end of fiscal year 2009, unreserved fund balance of the General Fund was \$2,809,774 while the total fund balance was \$2,854,200. \$507,918 of the total fund balance was invested in Certificates of Deposits with an average rate of return of 3.9%.

Revenue highlights:

The County received \$3,893,694 in occupational tax revenues which accounted for approximately 59% of the general fund revenue and was \$99,480 less than last fiscal year. \$1,248,036 was received from real property, personal property, bank deposits, and deed taxes and accounted for approximately 19% of Boyle County's general fund revenues. The county offices of Clerk, Sheriff and Attorney turned over \$361,310 in excess fees which equated to 6% of the general fund revenues. Reimbursements and Grants of \$768,087 made up 12% of revenues. Service fees, miscellaneous income, and interest earned totaled \$273,602 which equated to 4% of revenues.

The fiscal year 2009 expenses were \$4,344,486. Highlights include:

- a. County employees installed water lines to expand the potable water supply to those households on Lower Salt River Road at a cost of \$62,073,
- b. purchased land and building adjacent to the courthouse in the amount of \$131,895 to be used for additional parking,
- c. purchased three (3) new sheriff cruisers totaling \$67,229,
- d. surpassed \$2.5 billion in certified assessments of property subject to tax and was statutorily required to increase the County's annual appropriation to the Boyle County Property Valuation Administrator's office from \$53,400 to \$78,400,
- e. erected outdoor warning sirens in East Perryville, Forkland, Mitchellsburg, Junction City, and Parksville at a cost of \$17,907,
- f. this fiscal year, there was no 2009 primary election so funded only the 2008 general election which totaled \$62,478,
- g. installed a lightning protection system for the courthouse in the amount of \$15,300,
- h. purchased twelve (12) 48" steel stairs with landing for the County's convenience centers to ensure the public's safety while disposing of their refuse/recycling,
- i. after December 2008, discontinued the pilot curbside recycling program in the subdivision of Harmon Heights because of a lack of participation; however, the City of Perryville's pilot program has progressed into permanent curbside pickup because of its high volume of participation,
- j. re-paved the Recycle Centers facility entrance in the amount of \$20,000,
- k. expanded the Recycle Center's loading dock to facilitate another trailer which totaled \$3,220,
- l. received a Commonwealth of Kentucky recycling equipment grant in the amount of \$97,955 to purchase a horizontal baler with conveyor and a commercial paper shredder,
- m. toward the end of the fiscal year, the dead animal removal contractor who was paid \$40,323, annually, chose to no longer provide this service. After some uncertainty, DARS, Inc offered to provide the service for the contracted annual sum of \$48,300. The Fiscal Court was reimbursed by grant funds in the amount of \$5,000.
- n. paid the Public Works, EMS and Recycle portion of the GSC lease payment of \$72,289 to the Fiscal Court's General Obligation Bond Fund,

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

- o. included in the General Fund budget are expenses for the joint City of Danville/County of Boyle Recycling Services, City/County Emergency Management Services, City/County Property and Occupational Tax Collection, City/County Building Inspection Program, Solid Waste collection to include open dump and city/county roadside cleanups, Animal Control services for both the City of Danville and County of Boyle, the City/County Parks and Recreation program, City/County Planning and Zoning, the Economic Development Partnership, and non-profit appropriations.
2. The Public Works Fund is used to maintain all county facilities, road projects, bridge construction, and infrastructure maintenance. The June 30, 2009 fund balance was \$54,690. The General Fund transferred \$325,000 for operational expenses from its occupational tax collections.

Revenue Highlights;

Fiscal year 2009 expenditures for road and bridge projects were \$94,586. Of that expenditure the State Transportation Cabinet allocated as a one-time grant the reimbursement of \$72,793 for road resurfacing projects. The Transportation Grant Road projects included Mitchellsburg Spur, Aliceton Road, and Lower Salt River Road.

The United States Department of Agriculture Natural Resources Conservation Service, under the emergency watershed protection program, is authorized to assist in relieving hazards created by natural disasters that cause a sudden impairment of a watershed. The NRCS sponsored four projects in Boyle County created by the 2009 winter ice storm. Projects included were the removal of debris and bank stabilization of the Chaplin River at Claunch Road, the removal of debris from the Scrubgrass Branch of North Fork of the Rolling Fork River, the debris removal and bank stabilization of the Upper Salt and Salt Rivers, and the reconstruction/restoration of the dry stone wall and fence along Salt River Road. The first two projects were reimbursed by the NRCS for a total of \$35,325. The last two projects were reimbursed in fiscal year 2010 in the amount of \$45,881. Upon completion, the dry stone wall and fence project received a Kentucky Public Works Association project of the year award.

Expense Highlights;

Capital equipment purchases included a truck radio in the amount of \$329, a snow plow in the amount of \$11,507, automotive drain caddy in the amount of \$395, and an automotive coolant flusher in the amount of \$1,899. The public works employees constructed an equipment shed with a material cost of \$8,496.

Paid \$37,034 on a dump truck lease that had a principal of \$36,500 and an interest rate of 2.715% for 12 months. This lease was paid in full in June of this fiscal year.

3. The Joint Jail Fund is used to account for the operation of the Boyle/Mercer County Regional Detention Center. Operational costs are shared by both counties as set out in an inter-local agreement and based on annual inmate population ratios. The inmate ratio contributions for Boyle and Mercer Counties for operational expenses and debt service were based on 63% and 37%, respectively for the 2009 fiscal year.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

The Boyle Co. Fiscal Court budget set the number of jail personnel at 46. Based on the 2007/08 inmate cost analysis, the county inmate daily per diem for Boyle and Mercer inmates was set at \$32.00. The daily rate of \$29.43 is the billing rate for other county inmate detention.

Total jail population has declined 14% from the previous fiscal year. The combined Boyle and Mercer inmate population has only decreased 3% from last fiscal year while the billable inmate population has decreased 36%; hence the decrease in revenue.

Since June 1, 2004, the Boyle and Mercer inmate population increased 70%. Due to the continual rise in Boyle and Mercer inmates, the Joint Jail Committee has been working hard to reduce those numbers to avoid State Correction inspection violations. Methods used are to have the judicial judges expedite inmate sentencing, requesting the grand jury to meet every 30-40 days, sentencing to "home incarceration", and serving criminal summons' rather than arrest warrants for non violent crimes.

The Joint Jail Committee along with the respective Fiscal Courts have focused this year on containing inmate medical costs. A contract was awarded to Ephraim McDowell Regional Medical Center's Cooperative Care Network for hospital, physician, radiologist, anesthesiologist, and medical equipment discounts. They also contracted with the Boyle County Health Department for listed services billed at Medicaid rates. Lastly, entered into a contract with a new jail physician who stressed the use of generic pharmaceuticals as opposed to brand name saving approximately \$30,000 annually.

The Joint Jail Committee explored the idea of contracting with a third party medical provider to replace the current in-house physician and nurses. Based on a 2007/08 medical expense analysis, the third party provider would have had to save approximately \$70,500 in annual medical expenses for the proposal to break even. In addition, the detention center would lose the ability to apply for catastrophic medical grants made available to the Fiscal Court as a non-profit agency.

The Joint Jail Fund had a June 30, 2009 fund balance of \$60,820.

Revenue Highlights:

June 30, 2009 revenues were \$1,923,605 down \$415,576 from the previous fiscal year specifically attributed to the decrease in "Class D" (\$267,763) and "Class C" (\$153,462) inmate revenues. Expenses were \$2,698,206 down \$90,687 from the previous fiscal year due primarily to the expenditure of \$85,000 for the facility's roof replacement in fiscal year 2007/08. Total available receipts were \$2,951,034 which includes revenue, interfund transfers received, and prior year surplus.

To help replace lost revenue, the Fiscal Courts contracted with Advent who runs the "Pay my Jailer" program. This program bills county inmates released from the detention center the \$32.00 per diem based on the number of days incarcerated and offers the inmate repayment options. Staff will monitor revenue collections and report after the 2009/10 fiscal year is complete.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

The Joint Jail Fund received \$874,234 or 30% of total available receipts for housing state prisoners which equated to an average of 76.5 inmates a day at \$31.34 each.

Mercer County contributed \$521,798 toward the operational expenses and debt service of the joint jail which constituted 18% of total available receipts. Boyle County contributed \$942,018 which amounted to 32%.

The inmates themselves contributed directly and indirectly \$299,147 or 10% of total available receipts in fees for operational expenses. These dollars came from inmate stay per diems, medical copays, hygiene product reimbursements, court costs, bond fees, work release, DUI fees, and telephone commissions.

The other 10% consists of state allotments for county prisoners, canteen staff reimbursements, and other miscellaneous reimbursements and interest.

It is estimated 80% of the detention center's inmates are incarcerated on drug or drug related offenses. The Fiscal Courts have started dialog to implement a re-entry program for inmate substance abuse. Grant funds are available on the State level to fund the six month recovery program at 100%. In addition, the State will pay the detention center for the substance abuse program beds. These are beds that the Fiscal Courts have seen become increasingly empty during the fiscal year.

Expense Highlights:

As the Detention Center continues to age, 32% of the \$48,255 building repair and maintenance expenses went toward HVAC repairs totaling \$15,398 and 29% for plumbing repairs totaling \$14,219. A lightning protection system was installed in the amount of \$4,700 which was 10% of the total and 5% went toward interior paint totaling \$2,322. Repairs to the kitchen equipment totaled \$11,889 which equaled 50% of the total equipment repair costs. Items primarily noted were the walk-in freezer, tilt skillet, ice machine, and reach-in freezer.

State inmate medical costs were \$136,259. The Fiscal Court paid \$99,676 realizing \$36,584 in discounts derived from the various medical service provider contracts.

The average meal cost per inmate was \$1.85.

Equipment purchases included a new laptop computer and projector, replacement surveillance camera, transport restraints, a base radio and two cruiser radios, food trays, and a beverage server totaling \$4,547. Total debt service of \$191,998 was made to the General Obligation Bond Fund.

4. The Emergency Medical Services Fund is used to support the operations of an advanced life support ambulance service. The fiscal year end fund balance was \$52,369. Fiscal year 2009 revenues totaled \$1,208,184. Of that, \$1,102,666 was derived from ambulance run medical billings sent to and paid from health insurance companies, Medicaid, Medicare, and individuals.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Revenue Highlights:

A contract with Medical Claims Assistance allows the third party administrator to bill and collect accounts receivable with a negotiated 8% collection fee totaling \$87,478. Including refunds, net collections were \$1,100,475. Accounts Receivable revenue fell short of budget by \$97,334.

Revenue includes a totaled ambulance insurance reimbursement of \$80,796.

The Fiscal Court borrowed \$135,000 from the Kentucky Association of Counties Leasing Trust Fund at 3.57% for 24 months for an ambulance chassis and remount.

The Boyle County's General Fund contributed \$740,000 from its occupational tax collections to support the service.

Expense Highlights:

Ambulance EC8 wreck repairs cost \$89,668.

A lightning protection system for the EMS building was installed in the amount of \$4,700.

The ambulance service spent \$66,046 in medical supplies. On average, medical supplies have increased 9.5% annually for a total of 46% since fiscal year 2004.

New equipment expenditures for the ambulance service consisted of dorm bed frames, springs, and mattresses, a kitchen stove, a clothes washer and dryer, and two mobile radios and stretcher for the new ambulance, all totaling \$9,585.

The Fund paid \$57,040 on an ambulance lease issued in October 2007 with a principal of \$112,700 and an interest rate of 4.535% financed for 24 months. The lease was paid in full in October 2009.

Purchased a new ambulance remount totaling \$145,552. The Fiscal Court financed \$135,000 and applied \$10,169 Senate Bill 66 grant monies toward the purchase price. Paid \$23,560 on the ambulance lease issued in February 2009 with a final payment due date of February 2011.

5. The General Obligation Fund was used to account for the Boyle County Fiscal Court's general obligation bonds Series 2008. Its purpose was to provide the funds necessary to advance refund the outstanding lease revenue bonds Series 1997 of the Boyle County Municipal Properties Corporation. The Series 2008 principal was \$4,120,000 with an average interest rate of 3.09%; total principal and interest is \$4,922,026. The Fiscal Court took action in March 2008 on the new issuance to capitalize over the next 10 years a present value debt service savings of \$340,941 or a net fiscal year savings of \$36,416. Paid \$330,000 in principal and 113,531 in interest during the fiscal year leaving a principal balance of \$3,790,000 and an interest balance of \$688,998. The final debt service payment is scheduled to be made on February 1, 2019. This fund's financial activity was captured in a subsidiary ledger not to be made part of the Boyle County Fiscal Court's budget and financial statements.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

6. The Emergency 911 Fund is to support the emergency communication operations of the City of Danville's dispatch center which serves all emergency agencies in Boyle County. Its primary revenue source was a land line fee and cellular telephone fee paid monthly by the consumer. The 2009 fiscal year had a fund balance of \$392,573. The fund balance represents a \$4,819 increase from the previous fiscal year. Of the fund balance, \$221,229 was invested and held in certificate of deposits earning an average of 4.62% annually.

Total revenues were \$213,561 for fiscal year 2009 noting \$10,885 was derived from investment interest. In the last five years, the landline revenues have decreased 20% and cellular revenues have increased 111%. This is due to the consumer no longer using landline telephones as their primary home telephone and the increasing popularity of cellular telephones. The Fiscal Court's landline surcharge to the consumer is \$.50 per line and cellular intergovernmental payments are based on \$.70 per cell phone line.

Contributed \$50,000 toward dispatch salaries in addition to the \$43,445 paid from the General Fund for a total of \$93,445. The City of Danville's total salaries budget was \$470,300.

Capital expenditures consisted of five (5) new computers for \$2,950, five (5) new consoles and related equipment for \$42,936, a backup telephone system in case of failure for \$4,980, voice recorder upgrade for \$7,621, uninterrupted power supply for \$640, ten (10) computer black boxes for \$7,980, computer shelving for \$976, and a radio equipment upgrade for \$6,240. All new equipment and installation came to a total of \$82,288.

7. The Local Government Economic Assistance Fund had a fund balance of \$66,554. \$50,239 was mineral money which can only be used for public safety services and \$16,315 was coal impact money which can only be used for road projects. The fund balance decreased \$5,285 from the previous fiscal year.

Intergovernmental revenues increased this fiscal year by \$3,997. These revenues are derived from local coal impact and mineral taxes passed through the Commonwealth of Kentucky. The increase in revenue was due to an increase in coal impact.

Total June 30, 2009 expenditures were \$97,339 and of that sum, road resurfacing projects for Tuggle Road, Tar Lick Road, and Lower Salt River Road accounted for \$97,175 and \$164 was spent for administrative costs.

8. The State Grant Fund was used primarily for the Perryville Battlefield Preservation Association 2000/2002 surplus grant that was temporarily transferred to the TEA-21 Fund for upfront construction costs and transferred back in fiscal year 2006 in the amount of \$120,717. These monies are now being saved for match to PBPA's Johnson House TEA-21 grant or for Merchants Row stabilization Save Americas Treasures grant. June 30, 2009 year end fund balance for the PBPA was \$20,213.
9. The Jail Fund is used to primarily account for Boyle County's inmate population medical expenses. In addition, the fund accounts for juvenile detention and medical costs. The Boyle Jail fund balance for June 30, 2009 was \$77,143.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Total revenue was \$32,338 which was \$10,891 more than the previous fiscal year due to the increase in inmate medical copays. Inmates contributed \$23,037 to their medical costs and the Commonwealth of Kentucky's reimbursements totaled \$8,819. Boyle County's General Fund contributed \$175,000 from occupational tax collections, down \$35,000 from last fiscal year.

Total expenses were \$180,242 and of that amount, \$178,574 was inmate medical service expenses utilizing \$130,354 in contracted discounts derived from the various medical service provider contracts. Inmate medical costs have decreased \$9,406 from last fiscal year.

10. The TEA-21 Fund is a Federal Highways grant fund that operates as a conduit for historic preservation dollars funding the Perryville Battlefield Preservation Association. The National Parks Service in partnership with the Civil War Preservation Trust and the Boyle County Fiscal Court purchased the Hicklen Property which was turned into 54 additional acres of the Perryville Battlefield State Park. \$76,475 of the \$154,293 property purchase price was administered and passed through this Federal Grant Fund.
11. Kentucky Local Correctional Facility Construction Authority Fund originated with the building of the Boyle/ Mercer County Regional Detention Center. It was a ten year grant in the amount of \$2,140,000 paid annually at \$214,000 each year. These monies were used for the retirement of the Detention Center's construction debt. The source of the debt was a 1997 bond issue with a term of twenty years ending February 2019. The grant payments from the Authority ended in fiscal year 2007.

\$161,827 was invested in certificates of deposit at an average annual interest rate of 3.55%.

The beginning fund balance of \$168,446 and interest earned of \$3,332 for a total of \$171,778 was used toward debt service payments payable to the Municipal Properties Corporation. During the fiscal year, the grant fund balance was \$0. From this point on, debt service payments will come directly from the Boyle and Mercer County's General funds.

12. The Boyle County Municipal Properties is a blended component unit of Boyle County and was formed on July 23, 1974 by the members of the Boyle County Fiscal Court to act as an agency of the County in planning, financing, acquisition and developing of public projects and improvements. The Corporation's directors consist of the seven members of the Fiscal Court (the County Judge/Executive and six Magistrates). Each of these elected officials shall serve as a director during his or her term in public office.

The net assets / fund balance at the end of June 2008 is \$0. The Boyle County Fiscal Court will continue to keep the Corporation in active compliance with the office of the Secretary of State.

Proprietary Funds Overview. Boyle County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Boyle County has one enterprise fund.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

The Jail Canteen Fund. The Jail Canteen Fund had net assets of \$20,858. The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates.

Boyle has one internal service fund.

The Health Insurance Fund supports Boyle County's partially self-funded employee health insurance program. The County transfers from each fund (General, Road, Joint Jail and EMS) the amount for a single policy for each employee who is eligible and elects to receive coverage. Calendar year 2008 single policy was \$835.00 and \$826.65 for 2009. Beginning January 1, 2009, all employees paid a \$35.00 single premium and if the employee did not smoke, they received a \$30.00 discount. Any employee who selected a plan that was not a single plan (i.e. family) had the additional premium deducted from their paychecks. The fund pays for all qualified employee medical expenses during the plan year. The June 30, 2009 fund balance was \$594,317. Between the fiscal year of 2004 and 2007, the General Fund loaned the Health Insurance Fund \$497,500 to help pay under-funded employee health insurance claims. It is the goal of Boyle County to repay those dollars back to the General fund as the Health Insurance Fund gains a stable fund balance.

The following premiums for calendar year 2008 and 2009 were charged for single, + one, and family plans. Note the Fiscal Court's premiums saw a reduction due to lower claims and a lower amount of specific claims.

Single = \$835.00 / \$826.65
+ one = \$1,060.00 / \$1,049.40
Family = \$1,286.00 / \$1,273.14

New for 2009, for those employees who opt out of the health insurance program, the Fiscal Court allowed for an employee health reimbursement account. The Fiscal Court contributed \$2,400 on behalf of each employee to be used for qualified medical expenses their primary insurance would not cover. Proof of spousal health insurance was required to participate in this program.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

Boyle County's original budget was \$16,080,368. There were no amendments during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Boyle County's investment in capital assets for its government and business-type activities as of June 30, 2009, amounts to \$10,666,400 for governmental activities and \$7,120 for business-type activities (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions.

Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Major capital asset events during fiscal year 2009 were due to infrastructure improvement projects and equipment purchases reported in the governmental fund highlights portion of this document. Incorporated in the Joint Jail Fund was the Series 1997 bond issue of the Municipal Properties Corporation that was consolidated into the Series 2008 general obligation bond issue and along with that bond refunding, the Municipal Properties Corporation transferred the Government Services Center to Boyle County along with all equipment purchased with the Series 1997 bond issue.

Capital Assets

Boyle County's capital assets, net of accumulated depreciation are summarized below:

Table 5
Capital Assets Comparison, Net of Accumulated
Depreciation - Governmental Activities

	2008	2009	Variance	%
Land and Land Improvements	\$ 174,602	\$ 172,999	\$ (1,603)	(0.01)
Buildings	5,199,698	5,086,276	(113,422)	(0.02)
Machinery and Equipment	1,240,198	1,440,194	199,996	0.16
Vehicles	983,629	998,026	14,397	0.01
Infrastructure	2,892,426	2,968,905	76,479	0.03
Total Net Capital Assets	<u>\$ 10,490,553</u>	<u>\$ 10,666,400</u>	<u>\$ 175,847</u>	0.02

Table 6
Capital Assets Comparison, Net of Accumulated
Depreciation - Business Type Activities

	2008	2009	Variance	%
Vehicles	<u>\$ 9,486</u>	<u>\$ 7,120</u>	<u>\$ (2,366)</u>	(0.25)
Total Net Capital Assets	<u>\$ 9,486</u>	<u>\$ 7,120</u>	<u>\$ (2,366)</u>	(0.25)

Boyle County Fiscal Court's Outstanding Debt - Governmental Activities

	2008	2009	Variance	%
Financing Obligations	\$ 109,200	\$ 130,813	\$ 21,613	0.20
Bonds	4,120,000	3,790,000	(330,000)	(0.08)
Total	<u>\$ 4,229,200</u>	<u>\$ 3,920,813</u>	<u>\$ (308,387)</u>	(0.07)

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

At the end of the 2009 fiscal year, Boyle County had total long-term debt outstanding of \$3,920,813 and the amount of this debt due within the next year is \$414,821. The County's debt was decreased by \$443,387 during fiscal year 2009. This debt is primarily for the construction of the Government Services Center (GSC) which houses the detention center, recycling center, public works department and the emergency medical services. In addition to the GSC, the outstanding debt figure includes two ambulance remounts and a new dump truck.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The current recession is considered one of the worst since the Great Depression of the 1930s. Since 2007, much of the industrialized world entered into a recession sparked by a financial crisis which was caused in part by the combination of a real estate bubble in the United States and the securitization of real estate mortgages in a way which made the risk of mortgage-backed securities difficult to assess. Sub-prime loan losses in 2007 exposed other risky loans and over-inflated asset prices.

With the losses mounting, a panic developed in inter-bank lending. The precarious financial situation was made more difficult by a sharp increase in oil and food prices. As stock share and housing prices declined many large and well established investment and commercial banks in the United States and Europe suffered huge losses and even faced bankruptcy, resulting in massive public financial assistance.

From 2004-07, the top five U.S. investment banks each significantly increased their financial leverage which increased their vulnerability to a financial shock. These five institutions reported over \$4.1 trillion in debt for fiscal year 2007. Lehman Brothers was liquidated, Bear Stearns and Merrill Lynch were sold at fire-sale prices, and Goldman Sachs and Morgan Stanley became commercial banks. With the exception of Lehman, these companies required or received Government support. Fannie Mae and Freddie Mac, two U.S. sponsored enterprises, were placed into conservatorship by the U.S. Government in September 2008. AIG did not have the financial strength to support its many commitments as the crisis progressed and taxpayers provided \$180 million in Government support in September 2008.

The Troubled Asset Relief Program (TARP) was signed into law on October 3, 2008 which provided for a \$700 billion emergency bailout. In December 2008, the National Bureau of Economic Research declared that the United States had been in recession since December 2007, and several economists expressed their concern that there is no end in sight for the downturn and that recovery may not appear until as late as 2011. It contributed to the failure of key businesses, declines in consumer wealth, and a significant decline in economic activity.

By August 2008, 9.2% of all U.S. mortgages outstanding were either delinquent or in foreclosure. By September 2009, this had risen to 14.4%. A global recession has resulted in a sharp drop in international trade, rising unemployment and slumping commodity prices. Government responded with unprecedented fiscal stimulus, monetary policy expansion, and institutional bailouts. During 2008 and 2009, the U.S. Government executed two stimulus packages totaling nearly \$1 trillion by borrowing and spending to offset the reduction in the private sector demand caused by the crisis.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2009
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

In June 2009, the U.S. Federal Reserve Open Market Committee stated: "...the pace of economic contraction is slowing. Conditions in the financial markets have generally improved in recent months. Household spending has shown further signs of stabilizing but remains constrained by ongoing job losses, lower housing wealth, and tight credit. Businesses are cutting back on fixed investment and staffing but appear to be making progress in bringing inventory stocks into better alignment with sales. Although economic activity is likely to remain weak for a time, the Committee continues to anticipate that policy actions to stabilize financial markets and institutions, fiscal and monetary stimulus, and market forces will contribute to a gradual resumption of sustainable economic growth in a context of price stability."

As of October 31, 2009, the unemployment rate in Boyle County was 11% which is 4.5% higher than the 6.5% rate from the previous year. This compares unfavorably to the state rate of 10.7% for the same period. The United States unemployment rate increased to 10.2% by October 2009, the highest rate since 1983 and roughly twice the pre-crisis rate. The average hours per work week declined to 33, the lowest level since the government began collecting the data in 1964.

	<u>Qtr 4 2008</u>	<u>Qtr 4 2009</u>	<u>Net Change</u>
Boyle County's Industrial Employment	3,711	3,270	- 441

Dollar indices for 2008 primary commodities were \$197 and decreased to \$126 in 2009. Primary commodities for 2007 were \$137.

Commodities emerged as an attractive alternate investment for financial investors from around 2006 when the United States housing market showed the initial sign of its ultimate collapse. Thereafter, even before the collapse of Lehman Brothers signaled the global financial crisis, commodity prices started falling as such index investors started to withdraw. The global recession that was evident from mid 2008 led to perceptions that commodity prices would not firm up any time soon. But while the collapse in commodity prices after the recent peak was sharp, it proved to be quite short lived. Most important, commodity prices, especially food and oil prices, have been rising from early 2009, even before there was any real evidence of global recovery.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Boyle County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Boyle County Treasurer's Office, 321 W. Main Street, Danville, KY 40422, telephone number (859) 238-1118 between the hours of 8:30 am and 4:00 pm.

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BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,172,879	\$ 13,738	\$ 4,186,617
Total Current Assets	<u>4,172,879</u>	<u>13,738</u>	<u>4,186,617</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	172,999		172,999
Buildings	5,086,276		5,086,276
Machinery and Equipment	1,440,194		1,440,194
Vehicles	998,026	7,120	1,005,146
Infrastructure	2,968,905		2,968,905
Total Noncurrent Assets	<u>10,666,400</u>	<u>7,120</u>	<u>10,673,520</u>
Total Assets	<u>14,839,279</u>	<u>20,858</u>	<u>14,860,137</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	84,821		84,821
Bonds Payable	330,000		330,000
Total Current Liabilities	<u>414,821</u>		<u>414,821</u>
Noncurrent Liabilities:			
Financing Obligations Payable	45,992		45,992
Bonds Payable	3,460,000		3,460,000
Total Noncurrent Liabilities	<u>3,505,992</u>		<u>3,505,992</u>
Total Liabilities	<u>3,920,813</u>		<u>3,920,813</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	6,745,587	7,120	6,752,707
Restricted For:			
Health Insurance Benefits	594,317		594,317
Unrestricted	3,578,562	13,738	3,592,300
Total Net Assets	<u>\$ 10,918,466</u>	<u>\$ 20,858</u>	<u>\$ 10,939,324</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received	
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 3,999,795	\$ 122,233	\$ 408,996
Protection to Persons and Property	3,675,823	2,143,531	835,511
General Health and Sanitation	1,243,914	127,327	197,892
Social Services	86,500		
Recreation and Culture	336,630		
Transportation Facilities and Services	19,351		
Roads	932,372		978,908
Airports	15,123		
Interest on Long-Term Debt	117,778		
Capital Projects	72,493		
Total Governmental Activities	10,499,779	2,393,091	2,421,307
Business-type Activities:			
Jail Canteen	146,237	152,363	
Total Business-type Activities	146,237	152,363	
Total Primary Government	\$ 10,646,016	\$ 2,545,454	\$ 2,421,307
General Revenues:			
Taxes:			
Real Property Taxes			
Personal Property Taxes			
Motor Vehicle Taxes			
Occupational Taxes			
Other Taxes			
Excess Fees			
Miscellaneous Revenues			
Interest Received			
Total General Revenues			
Change in Net Assets			
Net Assets - Beginning			
Net Assets - Ending			

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (3,468,566)	\$	\$ (3,468,566)
(696,781)		(696,781)
(918,695)		(918,695)
(86,500)		(86,500)
(336,630)		(336,630)
(19,351)		(19,351)
46,536		46,536
(15,123)		(15,123)
(117,778)		(117,778)
(72,493)		(72,493)
(5,685,381)		(5,685,381)
	6,126	6,126
	6,126	6,126
(5,685,381)	6,126	(5,679,255)
761,292		761,292
207,492		207,492
94,569		94,569
3,893,694		3,893,694
240,130		240,130
361,310		361,310
626,845		626,845
87,110		87,110
6,272,442		6,272,442
587,061	6,126	593,187
10,331,405	14,732	10,346,137
\$ 10,918,466	\$ 20,858	\$ 10,939,324

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Joint Jail Fund</u>	<u>Emergency 911 Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,854,200	\$ 54,690	\$ 60,820	\$ 392,573
Total Assets	<u>2,854,200</u>	<u>54,690</u>	<u>60,820</u>	<u>392,573</u>
FUND BALANCES				
Reserved for:				
Encumbrances	44,426	6,135	11,525	6,575
Unreserved:				
General Fund	2,809,774			
Special Revenue Funds		48,555	49,295	385,998
Total Fund Balances	<u>\$ 2,854,200</u>	<u>\$ 54,690</u>	<u>\$ 60,820</u>	<u>\$ 392,573</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Emergency Medical Services Fund	Non- Major Funds	Total Governmental Funds
<u>\$ 52,369</u>	<u>\$ 163,910</u>	<u>\$ 3,578,562</u>
<u>52,369</u>	<u>163,910</u>	<u>3,578,562</u>
4,604	15,621	88,886
		2,809,774
<u>47,765</u>	<u>148,289</u>	<u>679,902</u>
<u>\$ 52,369</u>	<u>\$ 163,910</u>	<u>\$ 3,578,562</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 3,578,562
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	16,508,619
Accumulated Depreciation	(5,842,219)
Internal Service Fund Is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets and Liabilities Are Included in Governmental Activities on the Statement of Net Assets.	594,317
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(130,813)
General Obligation Bonds	<u>(3,790,000)</u>
Net Assets of Governmental Activities	<u>\$ 10,918,466</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Joint Jail Fund	General Obligation Fund
REVENUES				
Taxes	\$ 5,123,248	\$	\$	\$
Excess Fees	361,310			
Licenses and Permits	28,630			
Intergovernmental	465,987	887,036	1,630,828	
Charges for Services	92,151		163,690	
Miscellaneous	404,678	102,988	128,567	
Interest	68,725	2,444	521	40
Total Revenues	<u>6,544,729</u>	<u>992,468</u>	<u>1,923,606</u>	<u>40</u>
EXPENDITURES				
General Government	2,485,271			
Protection to Persons and Property	132,179		1,958,710	
General Health and Sanitation	1,271,984	92,252		
Social Services	86,500			
Recreation and Culture	258,503			
Transportation Facilities and Services		19,351		
Roads		892,730		
Airports	15,123			
Debt Service		37,034		443,531
Capital Projects		72,493		
Administration	94,926	245,618	739,496	
Total Expenditures	<u>4,344,486</u>	<u>1,359,478</u>	<u>2,698,206</u>	<u>443,531</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,200,243</u>	<u>(367,010)</u>	<u>(774,600)</u>	<u>(443,491)</u>
Other Financing Sources (Uses)				
Transfers To Other Fund	(2,254,245)		(191,998)	
Transfers From Other Funds	9	325,000	942,018	436,003
Financing Obligation Proceeds				
Total Other Financing Sources (Uses)	<u>(2,254,236)</u>	<u>325,000</u>	<u>750,020</u>	<u>436,003</u>
Net Change in Fund Balances	(53,993)	(42,010)	(24,580)	(7,488)
Fund Balances - Beginning	2,908,193	96,700	85,400	7,488
Fund Balances - Ending	<u>\$ 2,854,200</u>	<u>\$ 54,690</u>	<u>\$ 60,820</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Emergency 911 Fund	Emergency Medical Services Fund	Non- Major Funds	Total Governmental Funds
\$ 73,761	\$	\$	\$ 5,197,009
			361,310
			28,630
128,915	10,169	177,166	3,300,101
	1,102,666		1,358,507
	94,664	23,276	754,173
10,885	685	3,810	87,110
<u>213,561</u>	<u>1,208,184</u>	<u>204,252</u>	<u>11,086,840</u>
			2,485,271
208,742	1,380,970	179,390	3,859,991
			1,364,236
			86,500
		77,559	336,062
			19,351
		97,175	989,905
			15,123
	80,600		561,165
			72,493
	614,460	1,016	1,695,516
<u>208,742</u>	<u>2,076,030</u>	<u>355,140</u>	<u>11,485,613</u>
<u>4,819</u>	<u>(867,846)</u>	<u>(150,888)</u>	<u>(398,773)</u>
		(171,787)	(2,618,030)
	740,000	175,000	2,618,030
	135,000		135,000
	<u>875,000</u>	<u>3,213</u>	<u>135,000</u>
4,819	7,154	(147,675)	(263,773)
387,754	45,215	311,585	3,842,335
<u>\$ 392,573</u>	<u>\$ 52,369</u>	<u>\$ 163,910</u>	<u>\$ 3,578,562</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (263,773)
<p>Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Assets Disposed Of, Net Book Value	(195,084)
Capital Outlay	925,209
Depreciation Expense	(554,278)
<p>Internal Service Funds Are Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Net Revenues (Expenses) of this Fund Are Reported with Governmental Activities.</p>	
	366,600
<p>The Issuance of Long-term Debt Provides Current Financial Resources to Governmental Funds While Principal Payments on Long-term Debt Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, However, Have No Effect on Net Assets.</p>	
Financing Obligations Proceeds	(135,000)
Financing Obligations Principal Payments	113,387
Bond Principal Payment	<u>330,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 587,061</u></u>

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BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 13,738	\$ 594,317
Total Current Assets	<u>13,738</u>	<u>594,317</u>
Noncurrent Assets:		
Capital Assets:		
Vehicles	19,893	
Less Accumulated Depreciation	<u>(12,773)</u>	
Total Noncurrent Assets	<u>7,120</u>	
Total Assets	<u>20,858</u>	<u>594,317</u>
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	7,120	
Restricted		594,317
Unrestricted	<u>13,738</u>	
Total Net Assets	<u>\$ 20,858</u>	<u>\$ 594,317</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund	Governmental Activities- Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Operating Revenues		
Canteen Receipts	\$ 152,363	\$
Refunds/Reimbursements		1,655,811
Total Operating Revenues	<u>152,363</u>	<u>1,655,811</u>
Operating Expenses		
Cost of Sales	112,408	
Administration Fees		1,290,839
Personnel Costs	14,979	
Educational and Recreational	7,313	
Depreciation	2,366	
Miscellaneous	9,171	
Total Operating Expenses	<u>146,237</u>	<u>1,290,839</u>
Operating Income	<u>6,126</u>	<u>364,972</u>
Nonoperating Revenues		
Interest		<u>1,628</u>
Change In Net Assets	6,126	366,600
Total Net Assets - Beginning	14,732	227,717
Total Net Assets - Ending	<u>\$ 20,858</u>	<u>\$ 594,317</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund	Governmental Activities- Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Cash Flows From Operating Activities		
Receipts From Customers	\$ 152,363	\$
Other Receipts		1,655,811
Cost of Sales	(112,408)	
Administrative Fees		(1,290,839)
Personnel Costs	(14,979)	
Educational and Recreational	(7,313)	
Miscellaneous	(9,171)	
Net Cash Provided by Operating Activities	<u>8,492</u>	<u>364,972</u>
Cash Flows From Investing Activities		
Interest Earned		<u>1,628</u>
Net Cash Provided by Investing Activities		<u>1,628</u>
Net Increase in Cash and Cash Equivalents	8,492	366,600
Cash and Cash Equivalents - July 1, 2008	<u>5,246</u>	<u>227,717</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 13,738</u></u>	<u><u>\$ 594,317</u></u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

	Business-Type Activities - Enterprise Fund	Governmental Activities- Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	Jail Canteen Fund	Health Insurance Fund
Operating Income	\$ 6,126	\$ 364,972
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	<u>2,366</u>	<u></u>
Net Cash Provided by Operating Activities	<u>\$ 8,492</u>	<u>\$ 364,972</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Agency Fund</u>
	<u>Jail Inmate Fund</u>
Assets	
Cash and Cash Equivalents	\$ 71,231
Total Assets	<u>71,231</u>
Liabilities	
Amounts Held In Custody For Others	<u>71,231</u>
Total Liabilities	<u>\$ 71,231</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The County presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences and other accruals, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Boyle County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the Fiscal Court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the County's primary government using the blending method.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Boyle County Municipal Properties Corporation

The Boyle County Municipal Properties Corporation (Corporation) cannot be sued in its own name without recourse to the Boyle County Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. The Fiscal Court is able to impose its will on the Corporation, as the Corporation was created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the construction of the county jail building. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. The Boyle County Municipal Properties Corporation's separately issued audit report can be obtained by writing Boyle County Municipal Properties Corporation, 321 W. Main Street, Danville, KY 40422

C. Boyle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Boyle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Boyle County, Kentucky.

Additional – Boyle County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and modified cash basis of accounting and report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Joint Jail Fund - The primary purpose of this fund is to account for the jail expenses of Boyle and Mercer Counties. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

General Obligation Fund - This is for the accumulation of resources for, and the payment of general long-term debt principal and interest associated with the construction of the government services center, which consists of the regional jail facility and emergency medical and road maintenance facilities. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Emergency 911 Fund - This fund is used to support the operation of the County's emergency operations communications. The fund is supported in whole by land line and cellular telephone fees paid monthly by consumers. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Emergency Medical Services Fund - The primary purpose of this fund is to account for the ambulance receipts and expenditures. The primary sources of revenue are grants and charges for services. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, Kentucky Local Correctional Facilities Construction Authority Fund, Jail Fund, TEA-21 Fund, and Boyle County Municipal Properties Corporation.

Special Revenue Funds

The Road Fund, Joint Jail Fund, Emergency Medical Services Fund, Local Government Economic Assistance Fund, State Grant Fund, Emergency 911 Fund, Jail Fund, and TEA-21 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds

The General Obligation Fund, Kentucky Local Correctional Facilities Construction Authority Fund, and the Boyle County Municipal Properties Corporation are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary funds:

Enterprise Fund

The primary government reports the following enterprise fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the Jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the Jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen Fund.

Internal Service Fund

The primary government reports the following internal service fund:

Health Insurance Fund - This fund accounts for the goods or services provided by one governmental department or agency to another. The Health Insurance Fund of the Fiscal Court is reported as an internal service fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund is used to account for monies held by the County for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, non-depreciable land improvements, depreciable land improvements, buildings, building improvements, furniture and office equipment, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 7,500	10-45
Buildings and Building Improvements	\$ 20,000	10-60
Machinery and Equipment	\$ 1,000	3-20
Vehicles	\$ 1,000	3-12
Infrastructure	\$ 5,000	10-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent Fiscal Court's intended use of the resources and should reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require the General Obligation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Inmate Agency Fund to be budgeted because the Fiscal Court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of Boyle County Fiscal Court: Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Boyle County Fiscal Court: Parks and Recreation and Danville-Boyle County Economic Development Partnership, Inc.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 159,020	\$	\$	\$ 159,020
Total Capital Assets Not Being Depreciated	159,020			159,020
Capital Assets, Being Depreciated:				
Land Improvements	18,648			18,648
Buildings and Improvements	7,281,481			7,281,481
Machinery and Equipment	2,585,203	412,093	(215,482)	2,781,814
Vehicles	1,851,892	321,305	(291,957)	1,881,240
Infrastructure	4,194,605	191,811		4,386,416
Total Capital Assets Being Depreciated	15,931,829	925,209	(507,439)	16,349,599
Less Accumulated Depreciation For:				
Land Improvements	(3,066)	(1,603)		(4,669)
Buildings and Improvements	(2,081,783)	(113,422)		(2,195,205)
Machinery and Equipment	(1,345,005)	(187,156)	190,541	(1,341,620)
Vehicles	(868,263)	(136,765)	121,814	(883,214)
Infrastructure	(1,302,179)	(115,332)		(1,417,511)
Total Accumulated Depreciation	(5,600,296)	(554,278)	312,355	(5,842,219)
Total Capital Assets, Being Depreciated, Net	10,331,533	370,931	(195,084)	10,507,380
Governmental Activities Capital Assets, Net	<u>\$ 10,490,553</u>	<u>\$ 370,931</u>	<u>\$ (195,084)</u>	<u>\$ 10,666,400</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 19,893	\$	\$	\$ 19,893
Total Capital Assets Being Depreciated	19,893			19,893
Less Accumulated Depreciation For:				
Vehicles	(10,407)	(2,366)		(12,773)
Total Accumulated Depreciation	(10,407)	(2,366)		(12,773)
Total Capital Assets, Being Depreciated, Net	9,486	(2,366)		7,120
Business-Type Activities Capital Assets, Net	<u>\$ 9,486</u>	<u>\$ (2,366)</u>	<u>\$ 0</u>	<u>\$ 7,120</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 66,756
Protection to Persons and Property	279,396
General Health and Sanitation	30,669
Recreation and Culture	568
Roads, Including Depreciation of General Infrastructure Assets	<u>176,889</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 554,278</u>

Business-Type Activities:

Jail Canteen	<u>\$ 2,366</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,366</u>

Note 4. Long-term Debt

A. Bonds Series 2008

The Boyle County Fiscal Court issued general obligation bonds, dated March 11, 2008, and payable in 11 annual installments beginning February 1, 2009, with semi-annual interest payments on the first of August and February at varying rates from 3.00 % to 3.25%. The Fiscal Court issued the bonds for the purpose of providing funds to refund and redeem the Lease Revenue Bonds, Series 1997 which were used to finance the costs of a government services center, consisting of a regional jail facility and emergency medical and road maintenance facilities. The refunding was carried out to achieve debt service savings and to remove certain encumbrances on the government services center.

Call Provisions:

The 2008 series bonds maturing on and after February 1, 2019, are subject to redemption by the County, at its option (and upon its written discretion to the Trustee) prior to maturity on February 1, 2018 and on any date thereafter in whole, or from time to time, in increments of \$5,000 and in any order of maturity (less than all of a single maturity to be selected by lot by the Trustee) at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

A. Bond Series 2008 (Continued)

Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 330,000	\$ 117,823
2011	340,000	107,923
2012	350,000	97,723
2013	360,000	87,723
2014	370,000	76,422
2015-2019	2,040,000	201,384
Totals	<u>\$ 3,790,000</u>	<u>\$ 688,998</u>

B. Ambulance

On October 1, 2007, the Boyle County Fiscal Court entered into a \$112,700 loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance, at an effective interest rate of 4.535% for a period of two years, with principal and interest paid monthly. The rate in the lease was fixed through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to Boyle County through additional future rentals. The debt was fully paid in October 2009 and no additional rentals were charged to the County.

Principal payment requirements and scheduled interest for the remaining term of the agreement excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	<u>\$ 17,700</u>	<u>\$ 220</u>

C. Dump Truck

On June 9, 2008, the Boyle County Fiscal Court entered into a \$36,500 loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of a dump truck, at an effective interest rate of 2.715% for a period of two years, with principal paid annually and interest paid monthly. The principal balance was paid in full during the year ended June 30, 2009.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

D. Ambulance

On February 20, 2009, the Boyle County Fiscal Court entered into a \$135,000 loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance, at an effective interest rate of 3.818% for a period of two years, with principal and interest paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 67,121	\$ 3,221
2011	45,992	2,875
Totals	<u>\$ 113,113</u>	<u>\$ 6,096</u>

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 4,120,000	\$	\$ 330,000	\$ 3,790,000	\$ 330,000
Financing Obligations	109,200	135,000	113,387	130,813	84,821
Governmental Activities					
Long-term Liabilities	<u>\$ 4,229,200</u>	<u>\$ 135,000</u>	<u>\$ 443,387</u>	<u>\$ 3,920,813</u>	<u>\$ 414,821</u>

Note 5. Employee Retirement System

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 13.50 percent.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Employee Retirement System (Continued)

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The County's contribution rate for hazardous employees was 29.50 percent.

The County's contribution for the year ended June 30, 2007 was \$452,721, for the year ended June 30, 2008 was \$569,806, and for the year ended June 30, 2009 was \$490,904.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

The Boyle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2009, Boyle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Health Insurance Fund

The Boyle County Health Insurance Fund provides health insurance coverage to County employees. The County transfers from each fund (General, Road, Joint Jail, and Emergency Medical Services), the amount for a single policy for each employee who is eligible and elects to receive insurance coverage from the County. Any employee who selected a plan that is not a single plan (i.e. family, spouse/children) has the additional premium deducted from their paychecks. Premiums are determined by the County based upon the recommendations submitted to them by the reinsurer.

Note 9. Contingencies

There are lawsuits and claims pending against the Fiscal Court which may arise during the normal course of business. The Fiscal Court is a defendant in lawsuits and claims arising from, among other things, wrongful termination. Although the aggregate amount asserted in such lawsuits and claims is significant, Fiscal Court management believes that the ultimate outcome of these matters, after insurance proceeds, will not have a significant effect on the financial position or changes in financial position of the funds of the Fiscal Court.

Note 10. Subsequent Event

During February 2010, the Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Lease Trust Program in the principal amount of \$150,000 to finance the purchase of an ambulance.

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,793,000	\$ 4,793,000	\$ 5,123,248	\$ 330,248
Excess Fees	147,100	147,100	361,310	214,210
Licenses and Permits	34,000	34,000	28,630	(5,370)
Intergovernmental	520,439	520,439	465,987	(54,452)
Charges for Services	85,000	85,000	92,151	7,151
Miscellaneous	388,200	388,200	404,678	16,478
Interest	43,000	43,000	68,725	25,725
Total Revenues	6,010,739	6,010,739	6,544,729	533,990
EXPENDITURES				
General Government	2,223,934	2,580,810	2,485,271	95,539
Protection to Persons and Property	149,733	151,095	132,179	18,916
General Health and Sanitation	1,413,635	1,413,737	1,271,984	141,753
Social Services	87,500	87,500	86,500	1,000
Recreation and Culture	257,875	260,827	258,503	2,324
Airports	15,115	15,122	15,123	(1)
Debt Service	73,538	73,531		73,531
Capital Projects	60,000	60,000		60,000
Administration	2,356,650	1,541,517	94,926	1,446,591
Total Expenditures	6,637,980	6,184,139	4,344,486	1,839,653
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(627,241)	(173,400)	2,200,243	2,373,643
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(1,937,958)	(1,937,958)	(2,254,245)	(316,287)
Transfers From Other Funds			9	9
Total Other Financing Sources (Uses)	(1,937,958)	(1,937,958)	(2,254,236)	(316,278)
Net Changes in Fund Balance	(2,565,199)	(2,111,358)	(53,993)	2,057,365
Fund Balance - Beginning	2,565,199	2,565,199	2,908,193	342,994
Fund Balance - Ending	\$ 0	\$ 453,841	\$ 2,854,200	\$ 2,400,359

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 764,300	\$ 764,300	\$ 887,036	\$ 122,736
Miscellaneous			102,988	102,988
Interest	1,500	1,500	2,444	944
Total Revenues	765,800	765,800	992,468	226,668
EXPENDITURES				
General Health and Sanitation		92,252	92,252	
Transportation Facilities and Services	20,000	22,788	19,351	3,437
Roads	705,375	938,523	892,730	45,793
Debt Service	37,000	37,034	37,034	
Capital Projects		72,493	72,493	
Administration	285,440	250,129	245,618	4,511
Total Expenditures	1,047,815	1,413,219	1,359,478	53,741
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(282,015)	(647,419)	(367,010)	280,409
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	187,427	187,427	325,000	137,573
Total Other Financing Sources (Uses)	187,427	187,427	325,000	137,573
Net Changes in Fund Balance	(94,588)	(459,992)	(42,010)	417,982
Fund Balance - Beginning	94,588	94,588	96,700	2,112
Fund Balance - Ending	\$ 0	\$ (365,404)	\$ 54,690	\$ 420,094

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

JOINT JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,803,180	\$ 1,803,180	\$ 1,630,828	\$ (172,352)
Charges for Services	154,750	154,750	163,690	8,940
Miscellaneous	131,500	131,500	128,567	(2,933)
Interest	500	500	521	21
Total Revenues	<u>2,089,930</u>	<u>2,089,930</u>	<u>1,923,606</u>	<u>(166,324)</u>
EXPENDITURES				
Protection to Persons and Property	1,978,825	1,987,542	1,958,710	28,832
Debt Service	192,894	192,894		192,894
Administration	830,260	821,543	739,496	82,047
Total Expenditures	<u>3,001,979</u>	<u>3,001,979</u>	<u>2,698,206</u>	<u>303,773</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(912,049)</u>	<u>(912,049)</u>	<u>(774,600)</u>	<u>137,449</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out			(191,998)	(191,998)
Transfers From Other Funds	866,982	866,982	942,018	75,036
Total Other Financing Sources (Uses)	<u>866,982</u>	<u>866,982</u>	<u>750,020</u>	<u>(116,962)</u>
Net Changes in Fund Balance	(45,067)	(45,067)	(24,580)	20,487
Fund Balance - Beginning	<u>45,067</u>	<u>45,067</u>	<u>85,400</u>	<u>40,333</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60,820</u>	<u>\$ 60,820</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

EMERGENCY 911 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 70,000	\$ 70,000	\$ 73,761	\$ 3,761
Intergovernmental	125,000	125,000	128,915	3,915
Interest	3,500	3,500	10,885	7,385
Total Revenues	198,500	198,500	213,561	15,061
EXPENDITURES				
Protection to Persons and Property	238,530	277,602	208,742	68,860
Administration	343,645	304,573		304,573
Total Expenditures	582,175	582,175	208,742	373,433
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(383,675)	(383,675)	4,819	388,494
Net Changes in Fund Balance	(383,675)	(383,675)	4,819	388,494
Fund Balance - Beginning	383,675	383,675	387,754	4,079
Fund Balance - Ending	\$ 0	\$ 0	\$ 392,573	\$ 392,573

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

EMERGENCY MEDICAL SERVICES FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,169	\$ 169
Charges For Services	1,200,000	1,200,000	1,102,666	(97,334)
Miscellaneous			94,664	94,664
Interest	500	500	685	185
Total Revenues	1,210,500	1,210,500	1,208,184	(2,316)
EXPENDITURES				
Protection To Persons and Property	1,382,300	1,484,023	1,380,970	103,053
Debt Service	111,500	106,040	80,600	25,440
Administration	669,500	661,676	614,460	47,216
Total Expenditures	2,163,300	2,251,739	2,076,030	175,709
Excess (Deficiency) Of Revenues Over Expenditures Before Other Financing Sources (Uses)	(952,800)	(1,041,239)	(867,846)	173,393
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	749,838	749,838	740,000	(9,838)
Financing Obligation Proceeds	140,000	140,000	135,000	(5,000)
Total Other Financing Sources (Uses)	889,838	889,838	875,000	(14,838)
Net Changes In Fund Balances	(62,962)	(151,401)	7,154	158,555
Fund Balance - Beginning	62,962	62,962	45,215	(17,747)
Fund Balances - Ending	\$ 0	\$ (88,439)	\$ 52,369	\$ 140,808

BOYLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	State Grant Fund	Jail Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 66,554	\$ 20,213	\$ 77,143	\$ 163,910
Total Assets	<u>66,554</u>	<u>20,213</u>	<u>77,143</u>	<u>163,910</u>
FUND BALANCES				
Reserved for:				
Encumbrances	129		15,492	15,621
Unreserved:				
Special Revenue Funds	<u>66,425</u>	<u>20,213</u>	<u>61,651</u>	<u>148,289</u>
Total Fund Balances	<u>\$ 66,554</u>	<u>\$ 20,213</u>	<u>\$ 77,143</u>	<u>\$ 163,910</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	State Grant Fund	Kentucky Local Correctional Facilities Construction Authority Fund	Jail Fund
REVENUES				
Intergovernmental	\$ 91,872	\$	\$	\$ 8,819
Miscellaneous				23,276
Interest	181	39	3,332	243
Total Revenues	<u>92,053</u>	<u>39</u>	<u>3,332</u>	<u>32,338</u>
EXPENDITURES				
Protection to Persons and Property				179,390
Recreation and Culture		1,069		
Roads	97,175			
Administration	164			852
Total Expenditures	<u>97,339</u>	<u>1,069</u>	<u></u>	<u>180,242</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(5,286)</u>	<u>(1,030)</u>	<u>3,332</u>	<u>(147,904)</u>
Other Financing Sources (Uses)				
Transfers To Other Funds		(8)	(171,778)	
Transfers From Other Funds				175,000
Total Other Financing Sources (Uses)		<u>(8)</u>	<u>(171,778)</u>	<u>175,000</u>
Net Change in Fund Balances	(5,286)	(1,038)	(168,446)	27,096
Fund Balances - Beginning	71,840	21,251	168,446	50,047
Fund Balances - Ending	<u>\$ 66,554</u>	<u>\$ 20,213</u>	<u>\$ 0</u>	<u>\$ 77,143</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

TEA-21 Fund	Total Non-Major Governmental Funds
\$ 76,475	\$ 177,166
	23,276
15	3,810
<u>76,490</u>	<u>204,252</u>
	179,390
76,490	77,559
	97,175
	1,016
<u>76,490</u>	<u>355,140</u>
	(150,888)
(1)	(171,787)
	175,000
<u>(1)</u>	<u>3,213</u>
(1)	(147,675)
1	311,585
<u>\$ 0</u>	<u>\$ 163,910</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

BOYLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2009

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Provided to Subrecipients</u>
Cash Programs:			
<u>U.S. Department of Homeland Security</u>			
Passed Through Kentucky Department of Military Affairs			
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA # 97.036)	FEMA-1818-DR-KY	\$ 391,014	\$ 57,078
Emergency Management Performance Grant (CFDA # 97.042)	Not Available	18,035	
Total U.S. Department of Homeland Security		409,049	
<u>U.S. Department of Agriculture</u>			
Emergency Watershed Protection Program			
Scrubgrass	68-5C16-9-035	35,325	
Salt River (CFDA # 10.923)	68-5C16-9-049	45,881	
Total U.S. Department of Agriculture		81,206	
<u>U.S. Department of Interior</u>			
Civil War Battlefield Land Acquisition Grant			
Perryville Battlefield (CFDA # 15.928)	21-06-CW-1505	76,475	
<u>U.S. Election Assistance Commission</u>			
Passed Through Kentucky State Board of Elections:			
Help America Vote Act Requirements Payments (CFDA # 90.401)	Not Available	106,875	
Total Expenditures of Federal Awards		\$ 673,605	\$ 57,078

BOYLE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2009

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal activity of Boyle County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Sub-recipients

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Boyle County Fiscal Court provided federal awards totaling \$57,078 to the following sub-recipients: Boyle County Fire Protection District, Boyle County Health Department, Danville/Boyle County Parks/Recreation.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 22, 2010. Boyle County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyle County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyle County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Boyle County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2009-01 and 2009-02 to be a significant deficiencies in internal control over financial reporting.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters


As part of obtaining reasonable assurance about whether Boyle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-02 and 2009-03.

The Boyle County Judge/Executive's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Boyle County Judge/Executive's responses and, accordingly, we express no opinion on them.

We noted certain other matters that we reported to management of Boyle County Fiscal Court in the exit conference on February 26, 2010 and June 22, 2010.

This report is intended solely for the information and use of management, the Boyle County Fiscal Court, the Department for Local Government, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


Cotton and Allen, P.S.C.
Certified Public Accounts and Advisors

June 22, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



The Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Boyle County, Kentucky, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Boyle County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Boyle County's management. Our responsibility is to express an opinion on Boyle County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boyle County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Boyle County's compliance with those requirements.

In our opinion, Boyle County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Boyle County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Boyle County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boyle County's internal control over compliance.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2009-02 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

The Boyle County Judge/Executive's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Boyle County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Boyle County Fiscal Court, the Department for Local Government, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully submitted,



Cotton and Allen, P.S.C.
Certified Public Accountants and Advisors

June 22, 2010

BOYLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2009

BOYLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2009

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report. These deficiencies are not considered to be material weaknesses.
3. Two instances of noncompliance material to the financial statements of Boyle County were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal awards program are reported in the Independent Auditor's Report. This deficiency is not considered to be a material weakness.
5. The auditor's report on compliance for the audit of the major federal awards program for Boyle County expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Boyle County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2009-01 The County Should Review Its It Systems And Ensure That Appropriate Safeguards Are In Place To Ensure The Continued Security Of The Fiscal Court's Data

Criteria: A strong IT environment is essential to the maintenance of the electronic data held by the County and to prevent unauthorized access to the County's computer systems.

Condition: The County's IT environment is a simple structure. However, the County lacks formal policies and procedures in place that can improve its IT systems, namely:

- The County does not have a written policy that addresses password privacy.
- The County does not have a written computer usage policy.
- The County does not have a written disaster recovery plan or have processes in place to perform periodic testing of the plan.
- The County should store back-ups in a fireproof safe.

BOYLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2009-01 The County Should Review Its It Systems And Ensure That Appropriate Safeguards Are In Place To Ensure The Continued Security Of The Fiscal Court's Data (Continued)

Cause: The simple nature of the structure has led to these items being overlooked.

Effect or Potential Effect: Unauthorized access to the County's computers could result in the loss of data, violation of privacy rules and regulations and losses to the County through misappropriation of cash. The irrecoverable loss of data could compromise the County's ability to provide the necessary financial information for reporting to the Fiscal members or the citizenry.

Recommendation: We recommend that the County review the report entitled "Information Systems – Best Practices" issued by Crit Luallen on August 4, 2009. The County should have a full IT review performed to ensure that the IT environment is adequately protected.

County Judge/Executive Harold McKinney's Response: Boyle County does not employ an Information Technology staff person, but does have a contract with Intra-Source and the Bluegrass Area Development District. The County will adopt appropriate written policies that are designed to protect Boyle County without spending a lot of tax dollars on consultants. The county will acquire a safety deposit box and store software offsite. Two years ago the Courthouse was struck by lightning and lost the finance server. Despite that loss we were back up and running in two working days with no loss of data.

2009-02 The Fiscal Court Should Strengthen Controls Over Employee Timesheets

Criteria: According to KRS 337.320, "Every employer shall keep a record of . . . the hours worked each day and each week by each employee." Good internal controls dictate that all timesheets be signed by employees and have supervisory approval.

Condition: During out testing of payroll, we noted 5 instances of time sheets that were not signed by the employee and/or supervisor. There was one timesheet that could not be located.

Cause: It appears that the instances of noncompliance were caused by administrative oversights.

Effect or Potential Effect: The County is not in compliance with KRS 337.320.

Recommendation: In order to strengthen controls over payroll and ensure compliance with KRS 337.320, we recommend that the Payroll Clerk ensure that the employee and employee's supervisor have signed the timesheet prior to processing payroll.

County Judge/Executive Harold McKinney's Response: As of October 1, 2008, these incompliance issues have been corrected. The County Judge/Executive has issued a memo stating no check will be issued on a time sheet that is not properly signed.

BOYLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2009-03 The County Is Not Paying All Invoices Within 30 Days Of Receipts, As Required By Kentucky Statute

Criteria: KRS 65.140 states that all bills for goods or services shall be paid within thirty (30) working days of receipt of vendor's invoice except that when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor.

Condition: We identified three invoices, from a sample of 40 that had not been paid within the required 30 days, and there was no documentation that the delay was the result of the County making a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor.

Cause: It appears that the delays were caused by administrative oversights.

Effect or Potential Effect: The County is not in compliance with KRS 65.140.

Recommendation: We recommend that the County ensure compliance with KRS 65.140.

County Judge/Executive Harold McKinney's Response: There may be occasions where bills may not be paid within 30 days because of the added layer of departmental review/verification before they are forwarded onto the finance officer for payment. A reimbursement grant invoice may have to wait for grant funding before it can be paid which may exceed the 30 days. The Fiscal Court has to approve all bills and the fiscal court only pay bills two times a month. The county will make every effort to pay their bills within 30 days or have a documented reason as to why.

C. FINDINGS AND QUESTIONED COSTS –MAJOR FEDERAL AWARDS PROGRAM AUDIT

2009-02 The Fiscal Court Should Strengthen Controls Over Employee Timesheets

Federal Program: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036).

Federal Agency: U. S. Department of Homeland Security

Pass-Through Agency: Kentucky Department of Military Affairs

Compliance Area: Allowable Costs/Cost Principles

Amount of Questioned Costs: \$0

See comment in its entirety in Section B Findings – Financial Statement Audit.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior audit findings.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

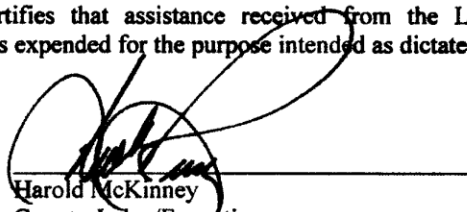
BOYLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

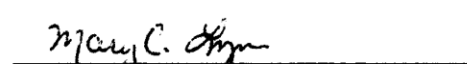
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Boyle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Harold McKinney
County Judge/Executive



Mary Lynn
County Treasurer

